Does Rogers Communications Inc. Still Deserve a Spot in Your Dividend Portfolio?

Description

Not much has gone right for **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI) in the past couple of years. Its wireless segment is losing market share. Consumers continue to "cut the cord," hurting the cable TV business. Making matters worse, increasing regulations are putting pressure on the company.

On Monday the company reported results for the first quarter of 2015, and the news didn't get any better. Operating income plunged 19% to $275 million, as the company spent more money to keep existing wireless customers. The number was 14% below analyst estimates.

So, with all this bad news, does Rogers still deserve a spot in dividend portfolios? I believe it does. Below we take a look at three reasons why.

1. Stability

If you just read the headlines, you'd think that Rogers is losing customers in droves and that revenue is falling rapidly. The reality is very different.

Let's start by looking at the wireless segment, which currently has 8.1 million postpaid subscribers. Two years ago, this number was 7.9 million. Likewise, quarterly revenue has held steady at $1.8 billion.

The same thing can be said for cable. Over the last two years, the division's subscriber count has held steady at just over five billion (this includes television, Internet and home phone). And quarterly revenue has gone from $861 million to $870 million. These are not earth-shattering changes.

There's a point to be made here: Rogers is still a telecommunications company, so revenue is inherently stable. It is mainly for this reason that its dividend is very safe.

2. Long-term promise

In the long term, the outlook is a lot more promising for Rogers. A couple of areas deserve focus.

First of all, Canadians are consuming ever-increasing amounts of data on their mobile phones. This allows companies like Rogers to increase their subscribers' wireless bills. Just in the last year, monthly Average Revenue Per User (ARPU) in the wireless segment increased by 1.5%. I would expect further increases down the road.

Second, Rogers has put a big emphasis on hockey after paying over $5 billion for 12 years of broadcast rights. That has yet to reach full potential. Ratings for the Toronto Maple Leafs were down 20% this year as the team struggled mightily. So, even a slight rebound for the blue and white should give Rogers a boost. There's also a lot of potential for Rogers NHL GameCentre Live, which broadcasts hockey content on mobile devices.

3. Safe yield

After raising its dividend earlier this year, Rogers now yields a healthy 4.5%, putting it in the top 10 among **S&P/TSX 6**-listed stocks. Unlike the other top 10 yielders, Rogers does not make money from natural resources, and doesn't pay out more than its net income. So, if you're looking for safety with a big yield, there aren't many other options.

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bensinclair